

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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May 23, 2006

Mr. Gregory Williams, Reimbursement Manager
Sava Senior Care
5300 West Sam Houston Parkway North
Houston, Texas 77041

Re: AC# 3-OKB-J2 – GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center

Dear Mr. Williams:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**GRANCARE SOUTH CAROLINA, INC.
D/B/A OAKBROOK HEALTHCARE CENTER**

SUMMERVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-OKB-J2**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 12, 2006

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

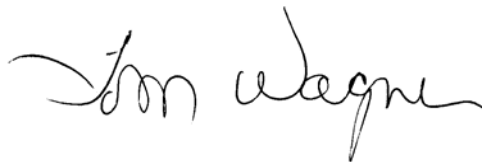
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Oakbrook Healthcare Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
April 12, 2006

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Tom Wagner", with a stylized, cursive script.

Thomas L. Wagner, Jr., CPA
State Auditor

OAKBROOK HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-OKB-J2

10/01/03-
09/30/04

Interim Reimbursement Rate (1)	\$114.99
Adjusted Reimbursement Rate	<u>113.32</u>
Decrease in Reimbursement Rate	\$ <u><u>1.67</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006

OAKBROOK HEALTHCARE CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-OKB-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 54.57	\$63.18	
Dietary		10.81	11.76	
Laundry/Housekeeping/Maintenance		<u>8.31</u>	<u>10.49</u>	
Subtotal	<u>\$5.98</u>	73.69	85.43	\$ 73.69
Administration & Medical Records	<u>\$ -</u>	<u>14.24</u>	<u>13.25</u>	<u>13.25</u>
Subtotal		87.93	<u>\$98.68</u>	86.94
<u>Costs Not Subject to Standards:</u>				
Utilities		2.19		2.19
Special Services		.65		.65
Medical Supplies & Oxygen		5.48		5.48
Taxes and Insurance		4.71		4.71
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$100.96</u>		99.97
Inflation Factor (4.70%)				4.70
Cost of Capital				6.90
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.98
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(4.23)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$113.32</u>

OAKBROOK HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-OKB-J2

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,706,927	\$ -	\$12,310 (3) 11,954 (4)	\$1,682,663
Dietary	333,373	-	-	333,373
Laundry	67,432	-	-	67,432
Housekeeping	103,474	-	-	103,474
Maintenance	82,946	2,261 (3)	-	85,207
Administration & Medical Records	433,864	5,147 (3)	-	439,011
Utilities	67,634	-	4 (3)	67,630
Special Services	20,113	-	-	20,113
Medical Supplies & Oxygen	175,400	-	6,510 (4)	168,890
Taxes and Insurance	145,713	2,497 (3)	2,949 (2)	145,261
Legal Fees	-	-	-	-
Cost of Capital	234,149	1,130 (5)	1,663 (1) 20,823 (3)	212,793
Subtotal	3,371,025	11,035	56,213	3,325,847

OAKBROOK HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-OKB-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	111,084	-	-	111,084
Nonallowable	706,625	1,663 (1)	1,130 (5)	751,803
		2,949 (2)		
		23,232 (3)		
	<u> </u>	<u>18,464 (4)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$4,188,734</u>	<u>\$57,343</u>	<u>\$57,343</u>	<u>\$4,188,734</u>
Total Patient Days	<u>30,835</u>	<u>-</u>	<u>-</u>	<u>30,835</u>
Total Beds	<u>88</u>			

OAKBROOK HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$78,039	
	Nonallowable	1,663	
	Fixed Assets		\$66,594
	Other Equity		11,445
	Cost of Capital		1,663
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	2,949	
	Taxes and Insurance		2,949
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Maintenance	2,261	
	Administration	5,147	
	Taxes and Insurance	2,497	
	Nonallowable	23,232	
	Nursing		12,310
	Utilities		4
	Cost of Capital		20,823
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	18,464	
	Nursing		11,954
	Medical Supplies		6,510
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

OAKBROOK HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKB-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	1,130	1,130
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$135,382</u>	<u>\$135,382</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKBROOK HEALCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-OKB-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>88</u>
Deemed Asset Value	3,504,864
Improvements Since 1981	431,018
Accumulated Depreciation at 9/30/02	<u>(1,271,033)</u>
Deemed Depreciated Value	2,664,849
Market Rate of Return	<u>.0561</u>
Total Annual Return	149,498
Return Applicable to Non-Reimbursable Cost Centers	(1,043)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	148,455
Depreciation Expense	79,925
Amortization Expense	399
Capital Related Income Offsets	(15,371)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(615)</u>
Allowable Cost of Capital Expense	212,793
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>6.90</u></u>

OAKBROOK HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-OKB-J2

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 6.90
Cost of Capital Per Diem	<u>6.90</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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